

**INDIANA BASIC PROPERTY INSURANCE
UNDERWRITING ASSOCIATION
Financial Statements
For the Three Months Ended December 31, 2005**

**INDIANA BASIC PROPERTY INSURANCE
UNDERWRITING ASSOCIATION**

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Independent Auditors' Report

To the Governing Committee and Members INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

We have audited the accompanying statement of admitted assets, liabilities, and members' equity of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of December 31, 2005, and the related statements of income and accumulated equity, and cash flows for the three months then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A to the financial statements, the Association's policy is to prepare its financial statements on the basis of accounting practices permitted by the Indiana Department of Insurance, which practices differ from generally accepted accounting principles. The effects on the financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of December 31, 2005, and the results of income and accumulated equity, and its cash flows for the three months then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities, and members' equity of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of December 31, 2005, and the results of its income and accumulated equity and its cash flows for the three months then ended, on the basis of accounting described in Note A.

Somerset CPAs, P.C.

February 22, 2006

Accounting
Assurance
Construction & A/E
Dental
Entrepreneurial

Health Care
Information Solutions
Litigation & Valuation
Manufacturing & Distribution
Not-for-Profit

Real Estate
Tax
Wealth Management

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION
Statement of Admitted Assets, Liabilities and Members' Equity
December 31, 2005

Admitted Assets

Cash and cash equivalents	\$ 2,872,680
Premiums receivable	56,572
Prepaid insurance	<u>8,333</u>
Total Admitted Assets	<u><u>\$ 2,937,585</u></u>

Liabilities and Members' Equity

Accounts payable and accrued expenses	\$ 72,679
Other payables - related party	64,071
Commissions payable	17,278
Reserve for unpaid losses	312,578
Reserve for unpaid loss adjustment expenses	12,590
Reserve for unearned premiums	1,214,004
Advance premiums and remittances not allocated	<u>56,063</u>
Total Liabilities	<u>1,749,263</u>
Member contributions on open years	(441,321)
Reserve for nonadmitted assets	(2,637)
Accumulated equity	<u>1,632,280</u>
Total Members' Equity	<u>1,188,322</u>
Total Liabilities and Members' Equity	<u><u>\$ 2,937,585</u></u>

See accompanying notes.

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION**Statement of Income and Accumulated Equity
For the Three Months Ended December 31, 2005**

Premiums Earned	\$ 663,695
Underwriting Expenses:	
Losses incurred	193,934
Loss adjustment expenses incurred	14,440
Other underwriting expenses:	
Commissions	56,242
Inspections and credit expense	16,285
All other expenses	<u>142,529</u>
Total Other Underwriting Expenses	<u>215,056</u>
Total Underwriting Expenses	<u>423,430</u>
Underwriting Income	240,265
Investment Income	<u>22,743</u>
Net Income	263,008
Accumulated Equity, Beginning of Period	698,883
Net Effect for Closing Out Accident Years	<u>670,389</u>
Accumulated Equity, End of Period	<u><u>\$ 1,632,280</u></u>

See accompanying notes.

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION**Statement of Cash Flows****For the Three Months Ended December 31, 2005****Cash Flows from Operating Activities:**

Premiums received	\$ 566,475
Losses and loss expenses paid	(171,544)
Cash paid for services and employees	(224,398)
Investment income	22,743

Net cash provided by operating activities 193,276

Cash Flows from Investing Activities:

Net cash used in investing activities	<u>0</u>
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Cash Flows from Financing Activities:

Net cash provided by financing activities	<u>0</u>
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Net Increase in Cash and Cash Equivalents 193,276

Beginning Cash and Cash Equivalents 2,679,404

Ending Cash and Cash Equivalents \$ 2,872,680

Reconciliation of Net Income to Net Cash Provided by Operating Activities

Net Income	\$ 263,008
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	757
Decrease in receivables	11,707
Decrease in prepaid insurance	3,125
Increase in loss reserves	36,831
(Decrease) in reserve for unearned premiums	(111,626)
(Decrease) in other liabilities	(10,526)

Net cash provided by operating activities \$ 193,276

See accompanying notes.

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION
Notes to Financial Statements
December 31, 2005

Note A - Nature of Operations and Summary of Significant Accounting Policies:

Principal Activity

The Indiana Basic Property Insurance Underwriting Association (FAIR Plan) is a voluntary association of insurance companies writing habitational and commercial property coverages in Indiana. The purpose of the FAIR Plan is to make property insurance coverage available for qualifying property located in Indiana. Applicants must show they have been denied coverage by three different insurance companies in the thirty day period preceding their submission of an application to the FAIR Plan. The business of the FAIR Plan is managed by a governing committee representing various segments of property insurers.

Costs to provide the property insurance, including claims, operating expenses and losses, are funded by premiums paid by policyholders and assessments made against member insurance companies.

General

The FAIR Plan's financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Indiana Department of Insurance. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

The FAIR Plan previously was on a fiscal year ended September 30. The Governing Committee of the FAIR Plan adopted a resolution in July 2005 to change the year end from September 30 to December 31. The FAIR Plan's first calendar year will commence January 1, 2006, with its next annual report for the period January 1 to December 31, 2006.

Premium and Other Receivables

The FAIR Plan carries its premium receivable at invoiced amounts less an allowance for doubtful accounts. On a periodic basis, the FAIR Plan evaluates its premium receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections and current credit conditions. Management has established an allowance for doubtful accounts of \$17,000 as of December 31, 2005.

The FAIR Plan's policy forms do not authorize it to accrue interest on past due trade receivables. Receivables amounted to \$56,572 at December 31, 2005.

Nonadmitted Assets

Statement of Statutory Accounting Principles requires that assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets which are unavailable due to encumbrances or other third party interest should not be recognized on the Statement of Admitted Assets, Liabilities and Members' Equity, and are, therefore, considered nonadmitted.

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION
Notes to Financial Statements
December 31, 2005

Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):

Nonadmitted Assets (Continued)

Furniture and equipment are carried at cost and includes expenditures for new additions and those which substantially increase the useful lives of existing assets. Depreciation is computed at various rates by use of the straight-line method. Depreciable lives are as follows:

Furniture and equipment	3 to 10 years
-------------------------	---------------

Expenditures for normal repairs and maintenance are charged to operations as incurred. The cost of furniture or equipment retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal with the resulting gain or loss reflected in earnings or in the cost of the replacement asset. Depreciation expense amounted to \$757 for the three months ended December 31, 2005.

Some assets are shared with the Indiana Insurance Guaranty Association (IIGA) and the Indiana Life and Health Insurance Guaranty Association (ILHIGA). The FAIR Plan pays a quarterly equipment rental fee to the IIGA Administrative Account for use of these fixed assets. This fee amounted to \$1,327 for the three months ended December 31, 2005.

Income Taxes

The FAIR Plan is organized as a syndicate and has elected to report income tax information as a partnership.

Cash Flows

For purposes of the Statements of Cash Flows, the FAIR Plan considers all highly liquid instruments that are purchased within three months or less of the instruments' maturity date to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with other comprehensive basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION
Notes to Financial Statements
December 31, 2005

Note B - Related Party Transactions:

The FAIR Plan reimburses the IIGA for costs incurred by the FAIR Plan for office expenses, rent, and personnel salaries and benefits. IIGA, ILHIGA and the FAIR Plan share office space. Rent/storage expenses are allocated among the IIGA, ILHIGA and FAIR Plan based on square footage used by each organization. Office expenses attributable to the FAIR Plan are compiled and FAIR Plan pays the costs incurred on its behalf on a monthly basis. Personnel salaries and benefits are reimbursed to IIGA by FAIR Plan generally based on the amount of time individual IIGA employees spend working on FAIR Plan projects, with personnel costs of some management staff allocated based on a formula approved by the FAIR Plan Governing Committee. In addition, prior to July 1, 2005, FAIR Plan paid four employees salaries and benefits directly. Effective July 1, 2005, the FAIR Plan employees became employees of IIGA and their personnel and salary expenses are now part of the IIGA reimbursement process. Such salary and benefit costs paid to IIGA amounted to \$115,111 for the three months ended December 31, 2005.

Note C - Lease Commitments:

As part of the agreement with IIGA, the FAIR Plan has agreed in the sharing of office rent and lease payments for the rental of equipment. The lease for office space expired in September 2005. IIGA signed a seven year lease that expires in September 2012. In 2004, IIGA entered into an equipment lease which expires in June 2010. The FAIR Plan's estimated share of future lease payments is as follows:

<u>Year Ending December 31,</u>	
2006	\$ 33,634
2007	33,881
2008	34,748
2009	35,243
Years After	<u>94,113</u>
	<u><u>\$ 231,619</u></u>

Note D - Concentration of Credit Risk:

The FAIR Plan's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The FAIR Plan places its cash and equivalents with high credit quality institutions. At times, such amounts may be in excess of the FDIC insured limit. The FAIR Plan routinely assesses the financial strength of its members and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

Note E - Member Assessments:

The FAIR Plan closed loss year September 30, 2003, during the three months ended December 31, 2005.

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION
Notes to Financial Statements
December 31, 2005

Note F - Liability for Unpaid Claims:

Activity in the liability for unpaid claims is summarized as follows at December 31:

Balance at October 1, 2005	\$ 270,143
Incurred Related to:	
Current year	198,455
Prior years	<u>(4,521)</u>
Total Incurred	193,934
Paid Related to:	
Current year	79,455
Prior years	<u>72,044</u>
Total Paid	<u>151,499</u>
Balance at December 31	<u><u>\$ 312,578</u></u>



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Independent Auditors' Report on Supplementary Information

To the Governing Committee and Members INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

The data included in the following schedules, although not considered necessary for fair presentation of financial position, results of operations and changes in financial position in accordance with accounting principles permitted by the Indiana Department of Insurance, are presented for supplementary analysis purposes.

Our report on our audits of the basic financial statements of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION for the three months ended December 31, 2005, appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Somerset CPAs, P.C.

February 22, 2006

Accounting
Assurance
Construction & A/E
Dental
Entrepreneurial

Health Care
Information Solutions
Litigation & Valuation
Manufacturing & Distribution
Not-for-Profit

Real Estate
Tax
Wealth Management

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION
Accident Period
For the Period Beginning October 1, 2003 and Ending December 31, 2005

	<u>Fire</u>	<u>Extended Coverage</u>	<u>General Liability</u>	<u>Theft</u>	<u>Total</u>
Habitational:					
Premiums written	\$ 4,613,338	\$ 1,436,395	\$ 126,608	\$ 72,700	\$ 6,249,041
Unearned premium - beginning	2,755,143	808,831	78,187	81,177	3,723,338
Unearned premium - ending	<u>(2,803,372)</u>	<u>(839,601)</u>	<u>(75,330)</u>	<u>(49,422)</u>	<u>(3,767,725)</u>
Premiums Earned	<u>4,565,109</u>	<u>1,405,625</u>	<u>129,465</u>	<u>104,455</u>	<u>6,204,654</u>
Losses paid	1,562,093	367,195	85,335	2,000	2,016,623
Reserve for unpaid losses December 31, 2005	<u>144,332</u>	<u>10,500</u>	<u>0</u>	<u>0</u>	<u>154,832</u>
Losses incurred	<u>1,706,425</u>	<u>377,695</u>	<u>85,335</u>	<u>2,000</u>	<u>2,171,455</u>
Loss adjustment expense	<u>145,982</u>	<u>87,493</u>	<u>4,672</u>	<u>2,302</u>	<u>240,449</u>
Other underwriting expenses:					
Commissions	452,416	144,100	13,257	10,046	619,819
Inspections and credit	143,455	45,625	4,214	3,348	196,642
Servicing fees	74,851	23,715	2,238	2,235	103,039
All other expenses	921,661	293,175	26,922	19,875	1,261,633
	<u>1,592,383</u>	<u>506,615</u>	<u>46,631</u>	<u>35,504</u>	<u>2,181,133</u>
Total underwriting expenses	<u>3,444,790</u>	<u>971,803</u>	<u>136,638</u>	<u>39,806</u>	<u>4,593,037</u>
Underwriting gain (loss)	<u>1,120,319</u>	<u>433,822</u>	<u>(7,173)</u>	<u>64,649</u>	<u>1,611,617</u>
Investment income	<u>47,029</u>	<u>14,609</u>	<u>1,335</u>	<u>888</u>	<u>63,861</u>
Income (loss) habitational	<u>1,167,348</u>	<u>448,431</u>	<u>(5,838)</u>	<u>65,537</u>	<u>1,675,478</u>
Commercial:					
Premiums written	370,991	57,271	0	0	428,262
Unearned premium - beginning	266,315	37,061	0	0	303,376
Unearned premium - ending	<u>(225,033)</u>	<u>(35,261)</u>	<u>0</u>	<u>0</u>	<u>(260,294)</u>
Premiums Earned	<u>412,273</u>	<u>59,071</u>	<u>0</u>	<u>0</u>	<u>471,344</u>
Losses paid	163,275	175	0	0	163,450
Reserve for unpaid losses December 31, 2005	<u>157,746</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>157,746</u>
Losses Incurred	<u>321,021</u>	<u>175</u>	<u>0</u>	<u>0</u>	<u>321,196</u>
Loss adjustment expense	<u>12,607</u>	<u>3,426</u>	<u>0</u>	<u>0</u>	<u>16,033</u>
Other Underwriting Expenses:					
Commissions	45,504	6,302	0	0	51,806
Inspections and credit	14,641	2,041	0	0	16,682
Servicing fees	8,404	1,204	0	0	9,608
All other expenses	91,175	12,612	0	0	103,787
	<u>159,724</u>	<u>22,159</u>	<u>0</u>	<u>0</u>	<u>181,883</u>
Total Underwriting Expenses	<u>493,352</u>	<u>25,760</u>	<u>0</u>	<u>0</u>	<u>519,112</u>
Underwriting gain (loss)	<u>(81,079)</u>	<u>33,311</u>	<u>0</u>	<u>0</u>	<u>(47,768)</u>
Investment income	<u>4,007</u>	<u>563</u>	<u>0</u>	<u>0</u>	<u>4,570</u>
Income (loss) commercial	<u>(77,072)</u>	<u>33,874</u>	<u>0</u>	<u>0</u>	<u>(43,198)</u>
Net Income (Loss)	<u>\$ 1,090,276</u>	<u>\$ 482,305</u>	<u>\$ (5,838)</u>	<u>\$ 65,537</u>	<u>\$ 1,632,280</u>

See auditors' report on supplementary information.

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

Accident Period

Three Months Ended December 31, 2005

	Fire	Extended Coverage	General Liability	Theft	Total
Habitational:					
Premiums written	\$ 386,279	\$ 114,060	\$ 9,682	\$ 6,211	\$ 516,232
Unearned premium - beginning	940,916	276,847	24,378	13,962	1,256,103
Unearned premium - ending	(848,885)	(253,235)	(21,494)	(13,093)	(1,136,707)
Premiums Earned	478,310	137,672	12,566	7,080	635,628
Losses paid	69,571	10,512	0	0	80,083
Reserve for unpaid losses December 31, 2005	110,000	9,000	0	0	119,000
Losses incurred	179,571	19,512	0	0	199,083
Loss adjustment expense	8,926	6,142	0	0	15,068
Other underwriting expenses:					
Commissions	40,533	11,666	1,065	600	53,864
Inspections and credit	11,736	3,378	308	174	15,596
Servicing fees	0	0	0	0	0
All other expenses	102,717	29,565	2,699	1,521	136,502
	154,986	44,609	4,072	2,295	205,962
Total underwriting expenses	343,483	70,263	4,072	2,295	420,113
Underwriting gain (loss)	134,827	67,409	8,494	4,785	215,515
Investment income	16,389	4,718	431	243	21,781
Income (loss) habitational	151,216	72,127	8,925	5,028	237,296
Commercial:					
Premiums written	26,987	8,269	0	0	35,256
Unearned premium - beginning	60,877	9,231	0	0	70,108
Unearned premium - ending	(63,626)	(13,671)	0	0	(77,297)
Premiums Earned	24,238	3,829	0	0	28,067
Losses paid	(628)	0	0	0	(628)
Reserve for unpaid losses December 31, 2005	0	0	0	0	0
Losses Incurred	(628)	0	0	0	(628)
Loss adjustment expense	(628)	0	0	0	(628)
Other Underwriting Expenses:					
Commissions	2,054	324	0	0	2,378
Inspections and credit	595	94	0	0	689
Servicing fees	0	0	0	0	0
All other expenses	5,205	822	0	0	6,027
	7,854	1,240	0	0	9,094
Total Underwriting Expenses	6,598	1,240	0	0	7,838
Underwriting gain (loss)	17,640	2,589	0	0	20,229
Investment income	831	131	0	0	962
Income (loss) commercial	18,471	2,720	0	0	21,191
Net Income (Loss)	\$ 169,687	\$ 74,847	\$ 8,925	\$ 5,028	\$ 258,487

See auditors' report on supplementary information.

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

Accident Period Year Ended September 30, 2005

	Fire	Extended Coverage	General Liability	Theft	Total
Habitational:					
Premiums written	\$ 2,149,110	\$ 644,385	\$ 56,048	\$ 33,279	\$ 2,882,822
Unearned premium - beginning	1,013,571	309,519	29,458	22,367	1,374,915
Unearned premium - ending	(940,916)	(276,847)	(24,378)	(13,962)	(1,256,103)
Premiums Earned	<u>2,221,765</u>	<u>677,057</u>	<u>61,128</u>	<u>41,684</u>	<u>3,001,634</u>
Losses paid	1,040,596	(25,018)	85,335	2,000	1,102,913
Reserve for unpaid losses December 31, 2005	<u>22,338</u>	<u>1,500</u>	<u>0</u>	<u>0</u>	<u>23,838</u>
Losses incurred	<u>1,062,934</u>	<u>(23,518)</u>	<u>85,335</u>	<u>2,000</u>	<u>1,126,751</u>
Loss adjustment expense	<u>57,641</u>	<u>25,578</u>	<u>2,339</u>	<u>467</u>	<u>86,025</u>
Other underwriting expenses:					
Commissions	205,509	67,049	6,021	3,284	281,863
Inspections and credit	54,645	17,828	1,601	873	74,947
Servicing fees	0	0	0	0	0
All other expenses	439,531	143,401	12,877	7,025	602,834
	<u>699,685</u>	<u>228,278</u>	<u>20,499</u>	<u>11,182</u>	<u>959,644</u>
Total underwriting expenses	<u>1,820,260</u>	<u>230,338</u>	<u>108,173</u>	<u>13,649</u>	<u>2,172,420</u>
Underwriting gain (loss)	<u>401,505</u>	<u>446,719</u>	<u>(47,045)</u>	<u>28,035</u>	<u>829,214</u>
Investment income	<u>19,468</u>	<u>6,351</u>	<u>570</u>	<u>311</u>	<u>26,700</u>
Income (loss) habitational	<u>420,973</u>	<u>453,070</u>	<u>(46,475)</u>	<u>28,346</u>	<u>855,914</u>
Commercial:					
Premiums written	138,972	22,117	0	0	161,089
Unearned premium - beginning	100,530	12,359	0	0	112,889
Unearned premium - ending	(60,877)	(9,231)	0	0	(70,108)
Premiums Earned	<u>178,625</u>	<u>25,245</u>	<u>0</u>	<u>0</u>	<u>203,870</u>
Losses paid	30,794	(284)	0	0	30,510
Reserve for unpaid losses December 31, 2005	<u>157,746</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>157,746</u>
Losses Incurred	<u>188,540</u>	<u>(284)</u>	<u>0</u>	<u>0</u>	<u>188,256</u>
Loss adjustment expense	<u>8,997</u>	<u>(66)</u>	<u>0</u>	<u>0</u>	<u>8,931</u>
Other Underwriting Expenses:					
Commissions	20,278	2,659	0	0	22,937
Inspections and credit	5,392	707	0	0	6,099
Servicing fees	0	0	0	0	0
All other expenses	43,369	5,687	0	0	49,056
	<u>69,039</u>	<u>9,053</u>	<u>0</u>	<u>0</u>	<u>78,092</u>
Total Underwriting Expenses	<u>266,576</u>	<u>8,703</u>	<u>0</u>	<u>0</u>	<u>275,279</u>
Underwriting gain (loss)	<u>(87,951)</u>	<u>16,542</u>	<u>0</u>	<u>0</u>	<u>(71,409)</u>
Investment income	<u>1,921</u>	<u>252</u>	<u>0</u>	<u>0</u>	<u>2,173</u>
Income (loss) commercial	<u>(86,030)</u>	<u>16,794</u>	<u>0</u>	<u>0</u>	<u>(69,236)</u>
Net Income (Loss)	<u><u>\$ 334,943</u></u>	<u><u>\$ 469,864</u></u>	<u><u>\$ (46,475)</u></u>	<u><u>\$ 28,346</u></u>	<u><u>\$ 786,678</u></u>

See auditors' report on supplementary information.

INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

Accident Period Year Ended September 30, 2004

	Fire	Extended Coverage	General Liability	Theft	Total
Habitational:					
Premiums written	\$ 2,077,949	\$ 677,950	\$ 60,878	\$ 33,210	\$ 2,849,987
Unearned premium - beginning	800,656	222,465	24,351	44,848	1,092,320
Unearned premium - ending	(1,013,571)	(309,519)	(29,458)	(22,367)	(1,374,915)
Premiums Earned	<u>1,865,034</u>	<u>590,896</u>	<u>55,771</u>	<u>55,691</u>	<u>2,567,392</u>
Losses paid	451,926	381,701	0	0	833,627
Reserve for unpaid losses December 31, 2005	<u>11,994</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,994</u>
Losses incurred	<u>463,920</u>	<u>381,701</u>	<u>0</u>	<u>0</u>	<u>845,621</u>
Loss adjustment expense	<u>79,415</u>	<u>55,773</u>	<u>2,333</u>	<u>1,835</u>	<u>139,356</u>
Other underwriting expenses:					
Commissions	206,374	65,385	6,171	6,162	284,092
Inspections and credit	77,074	24,419	2,305	2,301	106,099
Servicing fees	74,851	23,715	2,238	2,235	103,039
All other expenses	379,413	120,209	11,346	11,329	522,297
	<u>737,712</u>	<u>233,728</u>	<u>22,060</u>	<u>22,027</u>	<u>1,015,527</u>
Total underwriting expenses	<u>1,281,047</u>	<u>671,202</u>	<u>24,393</u>	<u>23,862</u>	<u>2,000,504</u>
Underwriting gain (loss)	<u>583,987</u>	<u>(80,306)</u>	<u>31,378</u>	<u>31,829</u>	<u>566,888</u>
Investment income	<u>11,172</u>	<u>3,540</u>	<u>334</u>	<u>334</u>	<u>15,380</u>
Income (loss) habitational	<u>595,159</u>	<u>(76,766)</u>	<u>31,712</u>	<u>32,163</u>	<u>582,268</u>
Commercial:					
Premiums written	205,032	26,885	0	0	231,917
Unearned premium - beginning	104,908	15,471	0	0	120,379
Unearned premium - ending	(100,530)	(12,359)	0	0	(112,889)
Premiums Earned	<u>209,410</u>	<u>29,997</u>	<u>0</u>	<u>0</u>	<u>239,407</u>
Losses paid	133,109	459	0	0	133,568
Reserve for unpaid losses December 31, 2005	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Losses Incurred	<u>133,109</u>	<u>459</u>	<u>0</u>	<u>0</u>	<u>133,568</u>
Loss adjustment expense	<u>4,238</u>	<u>3,492</u>	<u>0</u>	<u>0</u>	<u>7,730</u>
Other Underwriting Expenses:					
Commissions	23,172	3,319	0	0	26,491
Inspections and credit	8,654	1,240	0	0	9,894
Servicing fees	8,404	1,204	0	0	9,608
All other expenses	42,601	6,103	0	0	48,704
	<u>82,831</u>	<u>11,866</u>	<u>0</u>	<u>0</u>	<u>94,697</u>
Total Underwriting Expenses	<u>220,178</u>	<u>15,817</u>	<u>0</u>	<u>0</u>	<u>235,995</u>
Underwriting gain (loss)	<u>(10,768)</u>	<u>14,180</u>	<u>0</u>	<u>0</u>	<u>3,412</u>
Investment income	<u>1,255</u>	<u>180</u>	<u>0</u>	<u>0</u>	<u>1,435</u>
Income (loss) commercial	<u>(9,513)</u>	<u>14,360</u>	<u>0</u>	<u>0</u>	<u>4,847</u>
Net Income (Loss)	<u>\$ 585,646</u>	<u>\$ (62,406)</u>	<u>\$ 31,712</u>	<u>\$ 32,163</u>	<u>\$ 587,115</u>

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